



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0070	Title:	Apply inflationary adjustments to K-12 BASE aid and general fund components
Primary Sponsor:	Branae, Gary	Status:	As Introduced

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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$17,351,601	\$34,872,649	\$35,144,334	\$35,218,999
Revenues:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>(\$17,351,601)</u>	<u>(\$34,872,649)</u>	<u>(\$35,144,334)</u>	<u>(\$35,218,999)</u>

Description of fiscal impact: SB 70 increases state support for school district general fund budgets by \$52.2 million in the 2011 biennium. A 3% increase each year of the 2011 biennium to the basic entitlement, the total American Indian achievement gap payment, the total Indian education for all payment, the total per-ANB entitlement, and the total quality educator payment generates the funding.

FISCAL ANALYSIS

Assumptions:

- Under current law, the average number belonging used to determine the general fund budgets for K-12 public schools will be as follows:

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
K-6 ANB	77,753	77,541	77,951	79,887	80,769
7-8 ANB	23,353	22,832	22,531	22,448	22,394
9-12 ANB	<u>48,642</u>	<u>47,673</u>	<u>46,734</u>	<u>45,889</u>	<u>44,971</u>
	149,748	148,046	147,216	148,224	148,134

2. The number of FTE generating the quality educator payment is estimated to be:

FTE Count	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
	12,590	12,590	12,590	12,590	12,590

3. The present law inflation applied to the basic and per-ANB entitlements is 3% each year in FY 2010, FY 2011, FY 2012 and FY 2013. The basic and per-ANB entitlements will be set as follows:

<u>Entitlement</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Elementary Basic	\$21,922	\$22,580	\$23,257	\$23,257	\$23,257
Middle School Basic	\$62,083	\$63,945	\$65,863	\$65,863	\$65,863
High School Basic	\$243,649	\$250,958	\$258,487	\$258,487	\$258,487
Elementary Per-ANB	\$4,716	\$4,857	\$5,003	\$5,003	\$5,003
High School Per-ANB	\$6,037	\$6,218	\$6,405	\$6,405	\$6,405

4. Present law (MCA 20-9-326) requires the Governor to include inflation adjustments for the basic and per-ANB entitlements in the recommendations presented to the legislature. These present law adjustments result in the following expenditures:

	<u>FY 2010</u>	<u>FY 2011</u>
Direct State Aid	\$383.4 million	\$393.6 million
Guaranteed Tax Base Aid	\$135.7 million	\$140.1 million
County Retirement GTB	\$27.7 million	\$28.7 million

5. The basic and per-ANB entitlement increases of 3% which are included in item 4 are also included as a change in this bill, so the \$48.1 million new funding is included in this fiscal note.
6. Direct State Aid, GTB and other general fund components are computed with the school funding model used by the Office of Public Instruction, the Legislative Fiscal Division and the Office of Budget and Program Planning using current statutory entitlements, enrollment estimates and estimated property tax values.
7. The present law adjustments do not include inflationary increases for the general fund payments in 20-9-327 through 20-9-330, MCA, (quality educator payment, at-risk student payment, Indian education for all payment, American Indian achievement gap payment). The payments will total \$49.6 million in FY 2010 and \$49.5 million in FY 2011.
8. The state special education appropriation is not changed in this bill. The special education payment remains at \$41.6 million per year.
9. The statewide taxable valuations will increase by 3.47% in FY 2010 and 3.36% in FY 2011 and beyond.
10. Consistent with historical trends, districts are assumed to increase local contribution or move expenses from operating to personal services, if no entitlement increases are approved by the legislature. Retirement expenses are assumed to increase near the rate of inflation with or without increases in entitlements.
11. Under current law, districts would not see an increase in retirement fund costs in FY 2010 and only a slight increase in FY 2011 of \$108,481 due to increased Quality Educator Payment in SB 70.

Montana School for the Deaf and Blind, Corrections, and Department of Military Affairs

12. SB 70 includes the quality educator component which would facilitate increases each year for the Montana School for the Deaf and Blind, Corrections at Pine Hills and Riverside, and Department of Military Affairs for the Montana Youth Challenge Program. The increase is \$91 per FTE in FY 2010 and \$185 per FTE in FY 2011.

		FY 2010 Increased Educator Payment (Including applicable retirement)	FY 2011 Increased Educator Payment (Including applicable retirement)
MSDB	FTE		
	41.1	\$3,740	\$7,604
Corrections	20.2	\$1,842	\$3,744
MT Youth Challenge	<u>5.0</u>	<u>\$455</u>	<u>\$925</u>
Totals	66.3	\$61,033	12,273

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Local Assistance (Direct State Aid)	\$11,400,024	\$22,737,479	\$22,772,635	\$22,725,896
Local Assistance (Guaranteed tax base aid)	\$4,611,968	\$9,254,384	\$9,291,476	\$9,271,500
Local Assistance (Per Educator)	\$1,145,720	\$2,329,212	\$2,329,212	\$2,329,212
Local Assistance (Indian Ed for All)	\$88,810	\$235,477	\$237,090	\$236,946
Local Assistance (AI Achievement)	\$97,032	\$193,332	\$192,600	\$191,880
Local Assistance (Retirement GTB)	\$0	\$108,481	\$307,037	\$449,281
Personal Services (MSDB, Corrections, Military Affairs)	\$8,047	\$14,284	\$14,284	\$14,284
TOTAL Expenditures	<u><u>\$17,351,601</u></u>	<u><u>\$34,872,649</u></u>	<u><u>\$35,144,334</u></u>	<u><u>\$35,218,999</u></u>

Funding of Expenditures:

General Fund (01)	\$17,351,601	\$34,872,649	\$35,144,334	\$35,218,999
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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$17,351,601)	(\$34,872,649)	(\$35,144,334)	(\$35,218,999)
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Effect on County or Other Local Revenues or Expenditures:

The increases in the quality educator payment, American Indian achievement gap payment, and the Indian education for all payment are fully funded by the state. The increase in these payments will not increase district property taxes, but there could be a small county retirement levy increase.

Technical Notes:

The title says the entitlements will be increased by 3%. The American Indian Achievement Gap has been increased by 4.76% because of rounding, in the second year increasing from \$21 to \$22.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date